

Home Township
Montcalm County

Annual Financial Statements
and
Auditors' Report
June 30, 2008

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Home Township
List of Elected and Appointed Officials
June 30, 2008

Township Board

Robert McConkie - Supervisor

Cindy Stratton - Clerk

Christine Jordan - Treasurer

Bud Longnecker - Trustee

Dave Kelsey - Trustee



7810 N. Alger Road
Alma, MI 48801
(989) 463-6108 / (800) 466-6168
Fax (989) 463-8560

Independent Auditors' Report

Township Board
Home Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008 on our consideration of the Home Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Home Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

December 16, 2008
Alma, Michigan

**Home Township
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Our discussion and analysis of Home Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008.

Total net assets related to the Township's governmental activities are \$1,525,712. The amount that is unrestricted is \$681,070.

In light of continuing State Budget Problems, and constant threats to take away all revenue sharing, the Township has reacted by invoking tighter controls over all expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Home Township as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Home Township
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Home Township as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2008 and 2007.

Table 1

	<u>2008</u>	<u>2007</u>
Current assets	\$ 721,950	\$ 765,945
Capital assets, net	<u>1,076,223</u>	<u>1,030,195</u>
Total assets	1,798,173	1,796,140
Current liabilities	54,797	5,800
Long term liabilities	<u>217,664</u>	<u>245,339</u>
Total liabilities	<u>272,461</u>	<u>251,139</u>
Total net assets	<u><u>\$ 1,525,712</u></u>	<u><u>\$ 1,545,001</u></u>

Home Township's net assets of governmental activities are \$1,525,712, of which \$681,070 is classified as unrestricted and the remaining \$844,642 is invested in capital assets.

Home Township
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The following table shows, in a condensed format, the statement of activities as of June 30, 2008 and 2007.

Table 2

	Governmental Activities	
	2008	2007
Revenue		
Program revenue		
Charges for services	\$ 34,680	\$ 74,512
Operating grants and contributions	61,150	22,231
Capital grants and contributions	-	1,199
General revenue:		
Property taxes	314,718	286,229
State-shared revenue	117,665	104,418
Unrestricted investment earnings	31,805	35,905
Miscellaneous	19,291	24,469
Total revenue	<u>579,309</u>	<u>548,963</u>
Program expenses		
General government	184,407	161,533
Public safety	177,710	184,416
Public works	79,145	44,832
Highways, streets, bridges, and sidewalks	-	-
Community and economic development	12,664	-
Recreation and culture	133,457	99,410
Interest on long term debt	11,215	-
Total program expenses	<u>598,598</u>	<u>490,191</u>
Change in net assets	<u><u>\$ (19,289)</u></u>	<u><u>\$ 58,772</u></u>

**Home Township
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Governmental Activities

Home Township's total governmental activity revenues were \$579,309 and \$548,963 for the years ended June 30, 2008 and 2007, respectively. Property tax revenue increased due to an increase in property valuation.

Governmental activity expenditures of \$598,598 and \$490,191 were recorded for the years ended June 30, 2008 and 2007 respectively. This included increases in depreciation expense of \$12,339, and an increase the Library Fund for improvements.

Home Township's Funds

The fund financial statements provide detailed information about the most significant funds, not Home Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as show accountability for certain activities.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had an increase in fund balance of \$15,564 in the current year.

b) **Special Revenue**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c) **Fiduciary Fund**

The Fiduciary Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

**Home Township
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

General Fund Budgetary Highlights

Over the course of the year, the Township Board monitors and amends the budget to account for unanticipated events during the year. The most significant changes were an increase in buildings and grounds in the General Fund and an increase in public safety in Fire Fund. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these increased expenditures.

Capital Assets

At June 30, 2008, Home Township has \$1,679,773 invested in a wide range of capital assets, including land, buildings, vehicles, and machinery and equipment. The total amount of accumulated depreciation as of June 30, 2008 was \$603,550. The net capital asset balance at the end of the fiscal year is \$1,076,223.

Economic Factors and Next Year's Budgets and Rates

The Township needs to continue to monitor its budget very closely. State revenue-sharing payments have the potential to decrease again due to State cutbacks and less sales tax receipts at the State level. These factors, coupled with recent decreases from historical norms in other revenues, including charges for services, continue to have a concern on the Township's ability to balance its budget.

Despite these concerns, the Township will continue to operate as efficiently as possible in the next fiscal year.

Contacting Home Townships Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Home Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township hall.

Home Township
Statement of Net Assets
June 30, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 676,707
Receivables	
Accrued interest and other	11,969
Due from other units of government	33,274
Capital assets, net	<u>1,076,223</u>
 Total assets	 <u>1,798,173</u>
 Liabilities	
Accounts payable	27,412
Accrued and other liabilities	3,755
Due to other units of government	367
Deferred revenue	9,346
Noncurrent liabilities	
Due within one year	13,917
Due in more than one year	<u>217,664</u>
 Total liabilities	 <u>272,461</u>
 Net Assets	
Invested in capital assets, net of related debt	844,642
Unrestricted	<u>681,070</u>
 Total net assets	 <u>\$ 1,525,712</u>

See Accompanying Notes to Financial Statements

Home Township
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 184,407	\$ 1,280	\$ -	\$ -	\$ (183,127)
Public safety	177,710	23,752	-	-	(153,958)
Public works	79,145	-	-	-	(79,145)
Community and economic development	12,664	-	-	-	(12,664)
Recreation and culture	133,457	9,648	61,150	-	(62,659)
Interest on long-term debt	11,215	-	-	-	(11,215)
Total governmental activities	<u>\$ 598,598</u>	<u>\$ 34,680</u>	<u>\$ 61,150</u>	<u>\$ -</u>	<u>(502,768)</u>
General revenues					
Property taxes					314,718
State shared revenue					117,665
Unrestricted investment earnings					31,805
Miscellaneous					19,291
Total general revenues and transfers					<u>483,479</u>
Change in net assets					(19,289)
Net assets - beginning of year					<u>1,545,001</u>
Net assets - end of year					<u>\$ 1,525,712</u>

See Accompanying Notes to Financial Statements

**Home Township
Governmental Funds
Balance Sheet
June 30, 2008**

		Special Revenue Funds					
	General	Municipal Street	Fire Operations	Police Operations	Library	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 254,078	\$ 76,970	\$ 96,110	\$ 106,171	\$ 97,333	\$ 46,045	\$ 676,707
Receivables							
Accrued interest and other	876	-	-	-	1,747	9,346	11,969
Due from other units of government	33,274	-	-	-	-	-	33,274
Total assets	<u>\$ 288,228</u>	<u>\$ 76,970</u>	<u>\$ 96,110</u>	<u>\$ 106,171</u>	<u>\$ 99,080</u>	<u>\$ 55,391</u>	<u>\$ 721,950</u>
Liabilities							
Accounts payable	\$ -	\$ 24,887	\$ -	\$ -	\$ -	\$ 2,525	\$ 27,412
Accrued and other liabilities	2,060	-	-	1,695	-	-	3,755
Due to other units of government	163	-	-	204	-	-	367
Deferred revenue	-	-	-	-	-	9,346	9,346
Total liabilities	<u>2,223</u>	<u>24,887</u>	<u>-</u>	<u>1,899</u>	<u>-</u>	<u>11,871</u>	<u>40,880</u>
Fund Balances							
Unreserved, reported in:							
General fund	286,005	-	-	-	-	-	286,005
Special revenue funds	-	52,083	96,110	104,272	99,080	43,520	395,065
Total fund balances	<u>286,005</u>	<u>52,083</u>	<u>96,110</u>	<u>104,272</u>	<u>99,080</u>	<u>43,520</u>	<u>681,070</u>
Total liabilities and fund balances	<u>\$ 288,228</u>	<u>\$ 76,970</u>	<u>\$ 96,110</u>	<u>\$ 106,171</u>	<u>\$ 99,080</u>	<u>\$ 55,391</u>	<u>\$ 721,950</u>

See Accompanying Notes to Financial Statements

**Home Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2008**

Total fund balances for governmental funds	\$ 681,070
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,076,223
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(231,581)</u>
Net assets of governmental activities	<u>\$ 1,525,712</u>

Home Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	Special Revenue Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General	Municipal Street	Fire Operations	Police Operations	Library		
Revenues							
Taxes	\$ 72,070	\$ 54,201	\$ 50,566	\$ 67,766	52,915	\$ 17,200	\$ 314,718
State revenue sharing	117,665	-	-	-	-	-	117,665
Other state grants	-	-	-	-	3,281	-	3,281
Local contributions	-	-	-	-	25,857	-	25,857
Charges for services	1,280	-	-	23,752	9,648	-	34,680
Fines and forfeitures	-	-	-	-	32,012	-	32,012
Interest income	21,151	1,126	2,405	1,801	2,825	2,497	31,805
Rental income	2,100	-	-	-	-	-	2,100
Other revenue	8,873	-	2,746	5,572	-	-	17,191
	<u>223,139</u>	<u>55,327</u>	<u>55,717</u>	<u>98,891</u>	<u>126,538</u>	<u>19,697</u>	<u>579,309</u>
Total revenues							

Home Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	Special Revenue Funds					Nonmajor	Total
	General	Municipal Street	Fire Operations	Police Operations	Library	Governmental Funds	Governmental Funds
Expenditures							
Current							
General government	131,721	-	-	-	-	-	131,721
Public safety	-	-	50,447	83,057	-	-	133,504
Public works	11,145	67,087	-	-	-	913	79,145
Community and economic development	12,664	-	-	-	-	-	12,664
Recreation and culture	-	-	-	-	93,904	-	93,904
Other functions	22,315	-	-	-	-	-	22,315
Capital outlay	22,083	-	1,902	93	84,555	51,525	160,158
Debt service							
Principal retirement	3,758	-	-	-	-	10,000	13,758
Interest and fiscal charges	3,889	-	-	-	-	7,326	11,215
Total expenditures	<u>207,575</u>	<u>67,087</u>	<u>52,349</u>	<u>83,150</u>	<u>178,459</u>	<u>69,764</u>	<u>658,384</u>
Excess (deficiency) of revenues over expenditures	<u>15,564</u>	<u>(11,760)</u>	<u>3,368</u>	<u>15,741</u>	<u>(51,921)</u>	<u>(50,067)</u>	<u>(79,075)</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	17,000	17,000
Transfers out	-	-	(17,000)	-	-	-	(17,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(17,000)</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>-</u>
Net change in fund balance	15,564	(11,760)	(13,632)	15,741	(51,921)	(33,067)	(79,075)
Fund balance - beginning of year	<u>270,441</u>	<u>63,843</u>	<u>109,742</u>	<u>88,531</u>	<u>151,001</u>	<u>76,587</u>	<u>760,145</u>
Fund balance - end of year	<u>\$ 286,005</u>	<u>\$ 52,083</u>	<u>\$ 96,110</u>	<u>\$ 104,272</u>	<u>\$ 99,080</u>	<u>\$ 43,520</u>	<u>\$ 681,070</u>

See Accompanying Notes to Financial Statements

Home Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds \$ (79,075)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(70,544)
Capital outlay	116,572

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>13,758</u>
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Change in net assets of governmental activities \$ (19,289)

Home Township
Fiduciary Funds
Statement of Net Assets
June 30, 2008

	Agency Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 3,387
	<hr/>
Liabilities	
Due to other units of government	\$ 3,387
	<hr/>

See Accompanying Notes to Financial Statements

Home Township
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Home Township is governed by an elected five-member Board. The accompanying financial statements present the government.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

Home Township

Notes to Financial Statements

June 30, 2008

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Street Fund accounts for the use of property taxes received under a specially voted millage for the activity related to the renovation and improvements to the Township's road.

The Fire Operations Fund accounts for the use of property taxes received under a specially voted millage for the activity related to the Fire Department.

The Police Operations Fund accounts for the use of property taxes received under a specially voted millage for the activity related to the Police Department.

The Library Fund accounts for funds received and expended for the operation of the Township's Library.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements. These include the Fire Equipment Fund, Police Equipment Fund, and the Cedar Lake Lights Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Home Township

Notes to Financial Statements

June 30, 2008

Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$58,133,234, on which ad valorem taxes consisted of 4.3958 mills for operating purposes. This resulted in \$52,603 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	25 years
Equipment and furnishings	7 to 15 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

Upcoming Accounting and Reporting Changes

Home Township

Notes to Financial Statements

June 30, 2008

The Government Accounting Standards Board has issued Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits other than Pensions. The new pronouncement provides guidance for governments in recognizing the cost of retiree health care. The new rules will cause government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

The Government Accounting Standards Board has issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause government-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause government-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to July 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

During the year ended June 30, 2008, the Township incurred expenditures in the General Fund, Municipal Street Fund, and Fire Operations Fund in excess of the amount appropriated as follows:

Home Township
Notes to Financial Statements
June 30, 2008

<u>Fund</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount</u> <u>Expended</u>	<u>Unfavorable</u> <u>Variance</u>
General Fund			
Community and economic development	\$ 6,575	\$ 12,664	\$ 6,089
Municipal Street Fund			
Public works	48,000	67,087	19,087
Fire Operations Fund			
Transfers out	-	17,000	17,000
Library Fund			
Capital outlay	7,710	84,555	76,845

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash and Cash</u> <u>Equivalents</u>
Governmental activities	<u>\$ 676,707</u>

The breakdown between deposits and investments is as follows:

	<u>Primary</u> <u>Government</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	<u>\$ 676,707</u>

Interest rate risk – The government's investment policy does not address how to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$469,811 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the government's investment policy, the government's investments are held by a counterparty and are not insured.

Home Township
Notes to Financial Statements
June 30, 2008

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
Primary government		
Accrued interest and other	\$ 9,346	Fire Fund

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Primary government

Other revenue	\$ 9,346
---------------	----------

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 101,717	\$ -	\$ -	\$ 101,717
Capital assets being depreciated				
Land improvements	5,203	-	-	5,203
Buildings, additions and improvements	592,321	25,315	-	617,636
Machinery and equipment	250,074	69,747	-	319,821
Vehicles	613,886	21,510	-	635,396
Total capital assets being depreciated	1,461,484	116,572	-	1,578,056
Less accumulated depreciation for				
Land improvements	4,550	260	-	4,810
Buildings, additions and improvements	220,711	15,403	-	236,114
Machinery and equipment	138,156	26,779	-	164,935
Vehicles	169,589	28,102	-	197,691
Total accumulated depreciation	533,006	70,544	-	603,550
Net capital assets being depreciated	928,478	46,028	-	974,506
Governmental activities capital assets, net	\$ 1,030,195	\$ 46,028	\$ -	\$ 1,076,223

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government	\$ 21,263
Public safety	37,511
Recreation and culture	11,770
Total governmental activities	\$ 70,544

Home Township
Notes to Financial Statements
June 30, 2008

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

No interfund balances existed as of June 30, 2008.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Fire Fund	Fire Equipment Fund	<u>\$ 17,000</u>

Transfers are used to move unrestricted Fire Fund revenues to finance various programs that the government must account for in the Fire Equipment Fund in accordance with budgetary authorizations.

Home Township
Notes to Financial Statements
June 30, 2008

NOTE 7- LONG-TERM DEBT

The Township has a note payable with the United States Department of Agriculture, Rural Development, dated June 8, 2006 for the purchase of a new fire truck. The Township also has a building note payable with Chemical Bank dated November 9, 2006 for the purchase of a building.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Notes payable									
Fire truck note payable	\$ 190,000	2021	4.38%	\$2,460 - \$15,000	\$ 167,460	\$ -	\$ 10,000	\$ 157,460	\$ 10,000
Township building note payable	80,000	2021	5%	\$1,886 - \$7,128	77,879	-	3,758	74,121	3,917
Total governmental activities					<u>\$ 245,339</u>	<u>\$ -</u>	<u>\$ 13,758</u>	<u>\$ 231,581</u>	<u>\$ 13,917</u>

Home Township

Notes to Financial Statements

June 30, 2008

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2009	\$ 13,917	\$ 10,599
2010	14,117	9,962
2011	14,328	9,314
2012	14,550	8,654
2013	14,782	7,983
2014 - 2018	102,841	27,241
2019 - 2021	57,046	4,951
	<u>\$ 231,581</u>	<u>\$ 78,704</u>

\$10,075. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township has a defined contribution pension plan for all elected officials. A defined contribution pension plan provides pension benefits for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions. During the year, the Township's actual contributions to the plan amounted to

Home Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 48,274	\$ 48,274	\$ 49,457	\$ 1,183
Administration fee	20,666	20,666	22,613	1,947
State revenue sharing	94,000	94,000	117,665	23,665
Charges for services	900	900	1,280	380
Interest income	7,500	7,500	21,151	13,651
Rental income	1,130	1,130	2,100	970
Other revenue	4,550	4,550	8,873	4,323
Total revenues	<u>177,020</u>	<u>177,020</u>	<u>223,139</u>	<u>46,119</u>
Expenditures				
General government				
Township board	19,650	20,812	20,852	40
Supervisor	9,350	9,350	8,835	(515)
Elections	8,350	8,400	4,342	(4,058)
Clerk	18,150	18,150	18,192	42
Board of review	1,300	1,800	1,586	(214)
Treasurer	21,610	21,610	22,226	616
Assessor	25,300	25,300	23,802	(1,498)
Buildings and grounds	17,705	24,974	23,825	(1,149)
Attorney	4,000	4,500	4,333	(167)
Cemetery	3,200	3,600	3,728	128
Total general government	<u>128,615</u>	<u>138,496</u>	<u>131,721</u>	<u>(6,775)</u>
Public works				
Highways, streets and bridges	10,000	10,080	10,080	-
Refuse collection	1,300	1,300	1,065	(235)
Total public works	<u>11,300</u>	<u>11,380</u>	<u>11,145</u>	<u>(235)</u>

Home Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Community and economic development Planning	\$ 6,575	\$ 6,575	\$ 12,664	\$ 6,089
Other functions				
Insurance and bonds	9,250	9,336	9,202	(134)
Unallocated employee fringe benefits	12,800	13,349	13,113	(236)
Total other functions	22,050	22,685	22,315	(370)
Capital outlay	26,900	24,850	22,083	(2,767)
Debt service				
Principal retirement	3,760	3,760	3,758	(2)
Interest and fiscal charges	3,890	3,890	3,889	(1)
Total debt service	7,650	7,650	7,647	(3)
Total expenditures	203,090	211,636	207,575	(4,061)
Deficiency of revenues over expenditures	(26,070)	(34,616)	15,564	50,180
Fund balance - beginning of year	270,441	270,441	270,441	-
Fund balance - end of year	\$ 244,371	\$ 235,825	\$ 286,005	\$ 50,180

Home Township
Required Supplemental Information
Budgetary Comparison Schedule
Municipal Street Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 49,207	\$ 49,207	\$ 54,201	\$ 4,994
Interest income	<u>2,500</u>	<u>2,500</u>	<u>1,126</u>	<u>(1,374)</u>
Total revenues	<u>51,707</u>	<u>51,707</u>	<u>55,327</u>	<u>3,620</u>
Expenditures				
Current				
Public works	<u>48,000</u>	<u>48,000</u>	<u>67,087</u>	<u>19,087</u>
Excess of revenues (deficiency) over expenditures	3,707	3,707	(11,760)	(15,467)
Fund balance - beginning of year	<u>63,843</u>	<u>63,843</u>	<u>63,843</u>	<u>-</u>
Fund balance - end of year	<u>\$ 67,550</u>	<u>\$ 67,550</u>	<u>\$ 52,083</u>	<u>\$ (15,467)</u>

Home Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Operations Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 61,477	\$ 61,477	\$ 50,566	\$ (10,911)
Interest income	1,500	1,500	2,405	905
Other revenue	-	-	2,746	2,746
	<u>62,977</u>	<u>62,977</u>	<u>55,717</u>	<u>(7,260)</u>
Total revenues				
Expenditures				
Current				
Public safety	60,175	69,773	50,447	(19,326)
Capital outlay	2,500	2,500	1,902	(598)
Transfers out	-	-	17,000	17,000
	<u>62,675</u>	<u>72,273</u>	<u>69,349</u>	<u>(2,924)</u>
Total expenditures				
Excess of revenues (deficiency) over expenditures	302	(9,296)	(13,632)	(4,336)
Fund balance - beginning of year	<u>109,742</u>	<u>109,742</u>	<u>109,742</u>	<u>-</u>
Fund balance - end of year	<u>\$ 110,044</u>	<u>\$ 100,446</u>	<u>\$ 96,110</u>	<u>\$ (4,336)</u>

See Accompanying Notes to Financial Statements

Home Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Operations Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 61,477	\$ 61,477	\$ 67,766	\$ 6,289
Charges for services	24,500	24,500	23,752	(748)
Interest income	3,000	3,000	1,801	(1,199)
Other revenue	3,750	3,750	5,572	1,822
	<u>92,727</u>	<u>92,727</u>	<u>98,891</u>	<u>6,164</u>
Total revenues				
Expenditures				
Current				
Public safety	83,375	84,999	83,057	(1,942)
Capital outlay	4,500	4,500	93	(4,407)
	<u>87,875</u>	<u>89,499</u>	<u>83,150</u>	<u>(6,349)</u>
Total expenditures				
Excess of revenues over expenditures	4,852	3,228	15,741	12,513
Fund balance - beginning of year	<u>88,531</u>	<u>88,531</u>	<u>88,531</u>	<u>-</u>
Fund balance - end of year	<u>\$ 93,383</u>	<u>\$ 91,759</u>	<u>\$ 104,272</u>	<u>\$ 12,513</u>

Home Township
Required Supplemental Information
Budgetary Comparison Schedule
Library Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 49,000	\$ 49,000	\$ 52,915	\$ 3,915
Other state grants	3,000	3,000	3,281	281
Local contributions	20,000	20,000	25,857	5,857
Charges for services	8,500	8,500	9,648	1,148
Fines and forfeitures	29,200	32,015	32,012	(3)
Interest income	300	300	2,825	2,525
Total revenues	<u>110,000</u>	<u>112,815</u>	<u>126,538</u>	<u>13,723</u>
Expenditures				
Current				
Recreation and culture	105,000	105,105	93,904	(11,201)
Capital outlay	<u>5,000</u>	<u>7,710</u>	<u>84,555</u>	<u>76,845</u>
Total expenditures	<u>110,000</u>	<u>112,815</u>	<u>178,459</u>	<u>65,644</u>
Deficiency of revenues over expenditures	-	-	(51,921)	(51,921)
Fund balance - beginning of year	<u>151,001</u>	<u>151,001</u>	<u>151,001</u>	-
Fund balance - end of year	<u>\$ 151,001</u>	<u>\$ 151,001</u>	<u>\$ 99,080</u>	<u>\$ (51,921)</u>

Home Township
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Fire Equipment</u>	<u>Police Equipment</u>	<u>Cedar Lake Lights</u>	
Assets				
Cash and cash equivalents	\$ 24,281	\$ 21,764	\$ -	\$ 46,045
Receivables				
Accrued interest and other	<u>9,346</u>	<u>-</u>	<u>-</u>	<u>9,346</u>
 Total assets	 <u>\$ 33,627</u>	 <u>\$ 21,764</u>	 <u>\$ -</u>	 <u>\$ 55,391</u>
Liabilities				
Accounts payable	\$ -	\$ 2,525	\$ -	\$ 2,525
Deferred revenue	<u>9,346</u>	<u>-</u>	<u>-</u>	<u>9,346</u>
 Total liabilities	 <u>9,346</u>	 <u>2,525</u>	 <u>-</u>	 <u>11,871</u>
Fund Balances				
Unreserved				
Undesignated	<u>24,281</u>	<u>19,239</u>	<u>-</u>	<u>43,520</u>
 Total liabilities and fund balances	 <u>\$ 33,627</u>	 <u>\$ 21,764</u>	 <u>\$ -</u>	 <u>\$ 55,391</u>

Home Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Fire Equipment</u>	<u>Police Equipment</u>	<u>Cedar Lake Lights</u>	
Revenues				
Taxes	\$ 17,200	\$ -	\$ -	\$ 17,200
Interest income	50	2,437	10	2,497
Total revenues	<u>17,250</u>	<u>2,437</u>	<u>10</u>	<u>19,697</u>
Expenditures				
Current				
Public works	-	-	913	913
Capital outlay	-	51,525	-	51,525
Debt service				
Principal retirement	10,000	-	-	10,000
Interest and fiscal charges	7,326	-	-	7,326
Total expenditures	<u>17,326</u>	<u>51,525</u>	<u>913</u>	<u>69,764</u>
Deficiency of revenues over expenditures	<u>(76)</u>	<u>(49,088)</u>	<u>(903)</u>	<u>(50,067)</u>
Other financing sources				
Transfers in	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Net change in fund balance	16,924	(49,088)	(903)	(33,067)
Fund balance - beginning of year	<u>7,357</u>	<u>68,327</u>	<u>903</u>	<u>76,587</u>
Fund balance - end of year	<u>\$ 24,281</u>	<u>\$ 19,239</u>	<u>\$ -</u>	<u>\$ 43,520</u>

See Accompanying Notes to Financial Statements



7810 N. Alger Road
Alma, MI 48801
(989) 463-6108 / (800) 466-6168
Fax (989) 463-8560

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

Township Board
Home Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Home Township as of and for the year ended June 30, 2008, which collectively comprise Home Township's basic financial statements and have issued our report thereon dated December 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

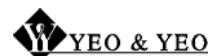
Internal Control over Financial Reporting

In planning and performing our audit, we considered the Home Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Home Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Home Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Home Township's financial statements that is more than inconsequential will not be prevented or detected by Home Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by Home Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.





7810 N. Alger Road
Alma, MI 48801
(989) 463-6108 / (800) 466-6168
Fax (989) 463-8560

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Home Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Montcalm County, others within the entity, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

December 16, 2008
Alma, Michigan



7810 N. Alger Road
Alma, MI 48801
(989) 463-6108 / (800) 466-6168
Fax (989) 463-8560

December 16, 2008

Township Board
Home Township
1251 M-46
Edmore, MI 48829

We have completed our audit of the financial statements of Home Township as of and for the year ended June 30, 2008 and have issued our report dated December 16, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comment

We discussed these matters with various personnel in the organization during the audit.

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Yeo & Yeo, PC
CPAs and Business Consultants
Alma, Michigan

Appendix I
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated September 15, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters in the engagement letter dated September 15, 2008.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. There were no new policies or changes to existing policies for the year ended June 30, 2008. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no difficulties in performing the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Please read all information included in that report to ensure you are aware of relevant information.

Appendix II Management Comments

In planning and performing our audit of the financial statements of Home Township as of and for the year ended June 30, 2008, we considered Home Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls. This letter does not affect our report dated December 16, 2008, on the financial statements of Home Township. Our comment and recommendation regarding this matter follow:

INTERNAL CONTROL OVER CREDIT CARDS

During our walk through of credit cards, we noted that the Township does not have a formal credit card policy. We recommend that the Township adopt a credit card policy. This will tighten the internal controls in place over credit card purchases and disbursements and ensure that all purchases are valid and appropriate.